



THE AUTHORITY

The Quarterly Newsletter of the Tennessee Regulatory Authority

February Edition

Chairman's Corner



It's been awhile since we published the last edition of *The Authority*, the Tennessee Regulatory Authority's newsletter, and things have certainly changed.

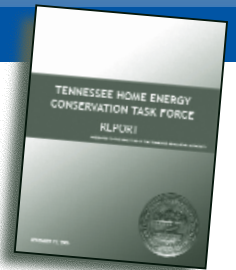
In the last couple of years, the Do-Not-Call Registry has gone from an idea to a reality, and more than 1.8 million Tennessee households have signed up to tell telemarketers to leave them alone at dinnertime. Same thing with the Do-Not-Fax Registry.

BellSouth is now part of AT&T as telecommunications continues to evolve from the old rotary dial telephone system to a modern network that can deliver high-speed voice, data and video over one single line. Other traditional phone companies and a host of new ones are competing for your business – not only in telecommunications but also in areas such as video and wireless communications.

One thing that has not changed is the TRA's commitment to Tennessee

Tennessee Home Energy Conservation Task Force Makes Recommendations to TRA Directors

The Tennessee Home Energy Conservation Task Force, after three months of research and deliberation, presented its recommendations to TRA directors in November. The task force was established by TRA directors in July 2006 to review existing state conservation plans and make recommendations that will assist consumers served by natural gas companies. Directors indicated that they want to "lead the charge in increasing public awareness of the need to conserve home energy and to establish partnerships with various stakeholders to offer common sense conservation measures that will better enable consumers to afford to heat their homes with natural gas."



Tennessee Home Energy Conservation Task Force Recommendations

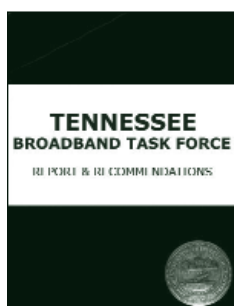
- Initiate a workshop to address funding specifically and to study decoupling in order to support energy conservation and gas technology/energy conservation research that will allow a diverse set of opinions to be heard.
- Publicize home energy conservation tips and information regarding free home energy audits and conservation programs via utility bill inserts and other media.
- Conduct seminars concentrating on low/no cost energy conservation measures that can be used to improve home energy efficiency.
- Develop a statewide public awareness campaign to promote energy conservation and encourage energy efficient practices.
- Consider the use of financial incentives and promote tax incentives to encourage consumers to purchase energy-efficient gas appliances. Consider integration of natural gas appliance replacement into weatherization assistance programs.
- Implement a low-income energy conservation program in Tennessee in stages on an expanded time frame that will involve leveraging existing programs, including community-based partnerships.
- Implement a modest pilot program, initially to allow for learning and evaluation prior to making major implementation commitments, that includes in-home education after installation of energy saving measures.
- Work with the General Assembly to adopt energy codes for buildings.

Task Force Wants Tennesseans Connected...Fast

High-speed Internet access is becoming more and more essential to competition in our ever-changing, technology-based, global economy. The future of Tennessee's economy, the health of its citizens and the education of its children are in many ways dependent on the state's success in deploying and taking advantage of an efficient broadband infrastructure.

TRA Director Pat Miller and TRA staff participated with stakeholders across the state on the Tennessee Broadband Task Force. The General Assembly charged the task force, headed by Sen. Roy Herron and Rep. Mark Maddox of Dresden, with determining Tennessee's level of broadband availability.

The task force found that only one in four Tennessee households has adopted broadband, which ranks the state 37th in the nation in usage. The service in Tennessee usually is provided



Rank	Country	DSL	Cable	Other	Total	Total Subscribers
1	Iceland	25.9	0.1	0.6	26.7	78,017
2	South Korea	13.6	8.3	3.4	25.4	12,190,711
3	Netherlands	15.7	9.6	0.0	25.3	4,113,573
4	Denmark	15.3	7.2	2.5	25.0	1,350,415
5	Switzerland	14.7	8.0	0.4	23.1	1,725,446
6	Finland	19.5	2.8	0.1	22.5	1,174,200
7	Norway	17.8	2.9	1.2	21.9	1,006,766
8	Canada	10.1	10.8	0.1	21.9	6,706,699
9	Sweden	13.3	3.4	3.6	20.3	1,830,000
10	Belgium	11.3	7.0	0.0	18.3	1,902,739
11	Japan	11.3	2.5	3.8	17.6	22,445,091
12	United States	6.5	9.0	1.3	16.8	49,391,060
13	United Kingdom	11.5	4.4	0.0	15.9	3,339,900
14	France	14.3	0.9	0.0	15.2	9,465,600
15	Luxembourg	13.3	1.6	0.0	14.9	67,357
16	Austria	8.1	5.8	0.2	14.1	1,155,000
17	Australia	10.8	2.6	0.4	13.8	2,785,000
18	Germany	12.6	0.3	0.1	13.0	10,706,600
19	Italy	11.3	0.0	0.6	11.9	6,896,696
20	Spain	9.2	2.5	0.1	11.7	4,994,274
21	Portugal	6.6	4.9	0.0	11.5	1,212,034
22	New Zealand	7.3	0.4	0.4	8.1	331,000
23	Ireland	5.0	0.6	1.1	6.7	270,700
24	Czech Republic	3.0	1.4	2.0	6.4	650,000
25	Hungary	4.1	2.1	0.1	6.3	639,505
26	Slovak Republic	2.0	0.4	0.2	2.5	133,900
27	Poland	1.6	0.7	0.1	2.4	897,659
28	Mexico	1.5	0.6	0.0	2.2	2,304,520
29	Turkey	2.1	0.0	0.0	2.1	1,530,000
30	Greece	1.4	0.0	0.0	1.4	155,418
	OECD	8.4	4.2	1.0	13.6	157,719,880

According to the Organization for Economic Co-operation and Development, the United States ranks 12th among industrialized nations in broadband subscribers per capita.

by local phone companies or cable television providers, but the task force report recommends expansion to other potential providers to spur competition and expand broadband deployment.

The report also calls for a public-private partnership

for developing a statewide plan for expanded broadband deployment and usage.

The report said, "Tennessee needs to make a purposeful effort to serve rural areas with broadband service. Until that occurs, Tennessee will lose ground — and jobs and educational opportunities — to states willing to make that commitment."

TRA Approves AT&T-BellSouth Merger

TRA directors, after a full evidentiary hearing and thorough analysis of AT&T serving the public interest of Tennessee consumers, approved the merger of AT&T and BellSouth.

The action gives consumers greater choices and more competitive prices. The TRA concluded that the new company will improve Tennessee's telecommunications network, increase broadband deployment and spur economic development throughout the state. The merger received final from the FCC on December 29.

The FCC concluded that the benefits

to the public interest will be significant. Some of these likely benefits include: deployment of broadband throughout the entire AT&T-BellSouth in-region territory in 2007; increased competition in the market for advanced pay television services due to AT&T's ability to deploy Internet Protocol-based video services more quickly than BellSouth could absent the merger; improved wireless products, services and reliability due to the efficiencies gained by unified management of Cingular Wireless, which is now a joint venture operated by BellSouth and AT&T; enhanced national security, disaster recovery and government services through the creation of a unified, end-to-end, IP-based network capable of providing efficient and secure government communications;

and better disaster response and preparation from the companies because of unified operations.

Why I Can't Get DSL: High-Speed Internet Availability

by Carsie Mundy, Chief of TRA Consumer Services Division

We receive numerous calls each month from consumers asking why high-speed Internet service provided over Digital Subscriber Lines(DSL) is not available in a particular area of the state and asking that we require the incumbent carrier providing local service to offer such services.

While we believe every citizen in

cont. page 3

Tennessee should be able to enjoy all the advantages that technology can offer if they so choose, high-speed Internet service and DSL, are non-basic, non-regulated services that are not tariffed or regulated by the Tennessee Regulatory Authority. The FCC has determined that such services are classified as information services and not telecommunications services. As such, incumbent local service providers are not required to offer these services in areas where the provider feels they will not generate sufficient revenues.

In short, if a non-basic, non-regulated service such as high-speed Internet will not generate sufficient revenues in a given area to cover expenses and still allow a decent profit, local service providers will not offer such services in those areas.

Atmos Energy Ordered to Cut Natural Gas Rates

TRA directors ordered Texas-based Atmos Energy Corporation to reduce its rates by \$6.07 million for about 123,000 natural gas customers across Tennessee.

The unanimous decision gives a break to many Tennessee customers by restructuring the base-rate natural gas customers are charged. The changes result in a \$3 million reduction to residential customers with business customers experiencing a similar price change. The new rates went into effect November 1 and showed up on bills customers received in December.

TRA directors also initiated a proceeding to determine why Atmos cut off gas service to about 14 percent more customers last winter than the year before — about 2,230 in 2005-2006 compared to about 1,950 in 2004-2005 — while other Tennessee gas companies reduced the number of cutoffs.

IRS Announces Standard for Telephone Tax Refunds

This tax season marks the first time consumers can request the newly determined telephone tax refund. According to the IRS, anyone who paid the long-distance telephone tax will get the refund on their 2006 federal income tax return. This includes individuals, businesses and nonprofit organizations. Ranging from \$30 to \$60, these amounts will enable millions of taxpayers to request the telephone tax refund without having to retrieve old phone bills.

The federal excise tax was initially imposed on Americans to fund to the Spanish-American War, which ended in 1898.

New Public Awareness Requirements for Gas Pipeline Safety

*by Eric Cherry,
Gas Pipeline Safety Engineer*

A building contractor using a backhoe to run a waterline accidentally “digs in” to a two-inch natural gas pipeline, causing a rupture in a gas line on a busy city street. This and many other preventable occurrences by third parties are examples of why gas pipeline safety public awareness is important. Third party damage is one of the primary causes of accidents and injuries related to natural gas pipeline facilities in the United States.



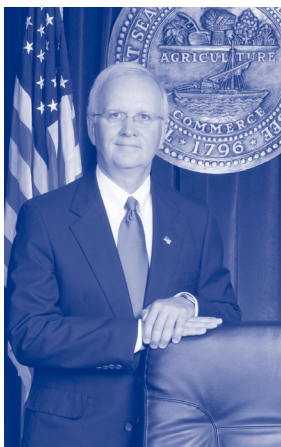
Natural gas is a potentially volatile commodity when not handled properly. Damage prevention has been a part of the natural gas pipeline safety programs, although previously not in a formalized structured program.

Previous damage prevention programs have exclusively targeted the gas customers. These new damage prevention program requirements include baseline educational awareness messages and supplemental messages to each “stakeholder audience” – the general public, local distribution customers, excavators, emergency officials, public officials and the one-call centers. Public awareness programs serve to educate these stakeholder audiences to the properties of natural gas, who to call in case of an emergency, facility reliability and Tennessee One-Call requirements (which are required prior to any type of excavation).

TRA Accepts Chattanooga Gas Settlement

The TRA accepted a settlement agreement filed jointly by the Consumer Advocate and Protection Division of the Tennessee Attorney General’s office and the Chattanooga Manufacturers Association. The settlement addressed Phase I of the Chattanooga Gas rate case the company filed with TRA in early 2006.

The revised rates went into effect on January 1, resulting in a 2.5 percent increase in the non-gas portion of the bill for the average residential customer using 60 therms of natural gas each month. Chattanooga Gas officials attribute the need for this rate increase to the higher cost of financing its operations and lower consumption of natural gas.



TRA Director Roberson Named to National Education, Research Panel

Director Eddie Roberson has been named to a new subcommittee of the National Association of Regulatory Utility Commissions that will analyze education and research programs and opportunities. Governor Phil Bredesen appointed Roberson to the TRA in May 2006. Roberson is one of seven members named to the subcommittee by NARUC President Jim Kerr of the North Carolina Utilities Commission.

New Employees at the TRA

Christiane Herndon Consumer Protection Specialist, Consumer Services Division

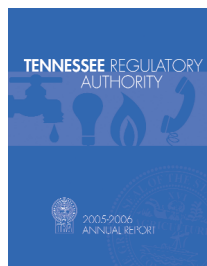
Michelle Ramsey Economist, Utilities Division

Mike Warner Telecom/Utilities Consultant, Utilities Division

Jeffrey Watson Consumer Protection Specialist, Consumer Services Division

TRA Releases 2005-2006 Annual Report

In accordance with Tennessee Code Annotated §65-1-211, the Authority presents its Annual Report to the Tennessee General Assembly. To view the annual report, visit the TRA online at www.state.tn.us/tra.



Chairman's Corner...cont.

consumers. The TRA is dedicated more than ever to our mission: "To promote the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment." The TRA is actively involved in our traditional mission of utility regulation while finding ways to do things like holding down consumer home energy costs and making broadband available to every Tennessee household.

We face these challenges with a renewed vigor, and we pledge to do our best to ensure that Tennesseans have the best utilities at the lowest possible cost.

Task Force...cont.

The 14-member task force was comprised of representatives from the TRA, Atmos Energy, Chattanooga Gas, Gas Technology Institute, Alliance to Save Energy, AARP, the Attorney General's Office of Consumer Advocate and Protection Division, University of Tennessee Energy, Environment and Resources Center, Piedmont Gas, National Regulatory Research Institute, Department of Human Services, Kilowatt Ours, AGL Resources, Inc. and the Tennessee Economic and Community Development Energy Division.



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